

Cincinnati Industrial Market

Many Deals Continue to Commence Towards Year End

The third quarter of 2022 was once again very active, posting positive net absorption of 878,997 square feet; there were several deals over 300,000 square feet that took place this past quarter. The Greater Cincinnati industrial market's absorption was less than in the second quarter of 2022, but this still brings the overall year-to-date absorption to nearly 8-million-square-feet. The overall average vacancy rate remained at 2.8%. Rental rates have been on a consistent upward pace for the past five years, and that doesn't seem to be slowing down anytime soon. The overall average asking rental rate ended the third quarter of 2022 at \$5.35/SF.

The Airport submarket continued to lead the way with the most inventory under construction at over 4.7 million square feet. Overall, there is 13.5 million square feet of buildings under construction; 9.2 million square feet of the overall number consists of speculative buildings. The other 4.3 million square feet are all build-to-suits, with 2.0 million square feet coming from Phase II of Amazon's Prime Air Hub at the Cincinnati/ Northern Kentucky International Airport. Nestle Purina's new building is also under construction at South Afton Industrial Park, in the East submarket. This project is a 1.2-million-square-foot pet food manufacturing building and is projected to be delivered in the first quarter of 2023. There were 700,789 square feet of deliveries in the third quarter of 2022 consisting of a 199,872-square-foot building, a 301,000-square-foot building, and a 199,917-square-foot building, all speculative.

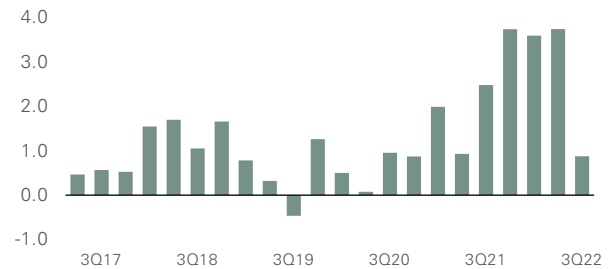
The Greater Cincinnati industrial market continued to show no signs of slowing down for 2022 as year-to-date net absorption is already over 7.8 million square feet. Vacancy is expected to keep declining as demand for space continues, while lease rates continue to trend up as space and land throughout Greater Cincinnati remains limited. E-commerce and 3PL companies have dominated space being absorbed in the market and that is expected to remain the case for the foreseeable future.

Current Conditions

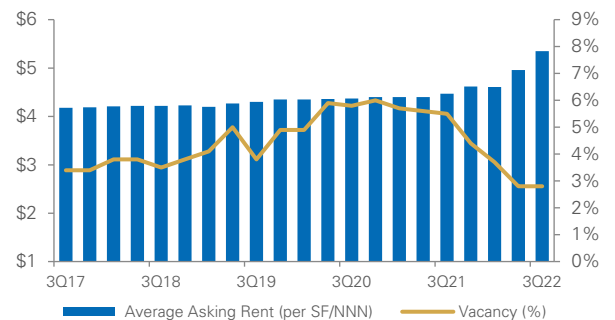
- The overall industrial market posted **878,997** square feet of positive net absorption in the third quarter.
- Construction activity was very brisk both for speculative buildings and build-to-suit projects.
- Over 13.5 million square feet is currently under construction in all submarkets
- The Tri-County submarket boasted the highest net absorption figure for the first quarter with 416,492 square feet of positive absorption.

Market Analysis

NET ABSORPTION (SF, Millions)



ASKING RENT AND VACANCY RATE



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	297 MSF	295 MSF	294 MSF	↕
Availability Rate	3.0%	2.8%	6.4%	↕
Vacancy Rate	2.8%	2.8%	5.5%	↕
Average Asking Rent/SF	\$5.35	\$4.96	\$4.47	↕
Average Expenses	\$1.22	\$1.18	\$1.02	↕
Quarterly Net Absorption (SF)	878,997	3,743,319	2,481,587	↕
Under Construction (SF)	13,564,816	14,169,605	9,318,012	↕
Deliveries (SF)	700,789	815,600	2,445,657	↕

RESEARCH Q3 2022

Leasing Activity

The third quarter of 2022 was very active for new industrial leases. iHerb, an online retail company, leased just under 425,000 square feet from Clarion at Runway Logistics Center in the Airport submarket. Profill expanded into 399,964 square feet this quarter, at Fairfield Commerce Park III, where it now occupies a total of 616,600 square feet. Ares leased out the space, which is located in the Tri-County submarket. Cornerstone Brands leased 323,700 square feet from Duke Realty at World Park 30 in the Tri-County submarket. Tosca leased 167,208 square feet from NorthPoint at the newly completed West Chester Trade Center Building 8, in the Tri-County submarket. Ohio Transmission took 103,000 square feet from TradeLane at 9113 LeSaint Dr. in the Tri-County submarket.

New Construction

There were three sizeable deliveries that took place in the third-quarter of 2022. West Chester Trade Center Building 8 and 9 both finished construction. These were 301,000-square-foot and 199,872-square-foot speculative buildings located in the Tri-County submarket. NorthPoint was the developer for this project. The other delivery was Al. Neyer's,- Port Union Industrial

speculative building, at 9030 Port Union Rd. This is a 199,917-square-foot warehouse/distribution building, also located in the Tri-County submarket, which completed construction this quarter.

Sales Activity

There was a mix of investment sales and user sales that happened in the third- quarter of 2022. Starting with investment sales: AIC Ventures sold 7625 Empire Dr. to Alexander Property Holdings for \$18.0 million. This sale was part of an 11-property portfolio. Green Door Capital Investments purchased 6800 Industrial from Mubea Real Estate for nearly \$8 million. 1441 Western Ave. was sold as an investment sale in the third quarter of 2022 for \$8.2 million. Viking Partners bought this 101,297-square-foot building from Berman Printing. Messer Construction sold 910 Lila Ave to Peter Gaietto & Associates for \$5.0 million as a user sale.

Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
iHerb	2497 Wright Blvd.	Airport	Direct Lease	424,800
Profill	9260 Seward Rd.	Tri-County	Direct Lease	399,964
Cornerstone Brands	5265 E. Provident Dr.	Tri-County	Direct Lease	323,700
Tosca	4591 Brate Dr.	Tri-County	Direct Lease	167,208
Ohio Transmission	9113 LeSaint Dr.	Tri-County	Direct Lease	103,000

Sale Transactions				
Building	Submarket	Sale Price	Price/SF	Square Feet
7625 Empire Dr.	Florence/Richwood	\$18,030,000	\$51.81	348,000
6800 Industrial Rd.	Florence/Richwood	\$7,950,000	\$48.18	165,000
910 Lila Ave.	East	\$5,000,000	\$37.15	134,603
1441 Western Ave.	Central/Midtown	\$8,200,000	\$80.95	101,297

New Deliveries				
Developer	Building	Address	Submarket	Square Feet
NorthPoint	West Chester Trade Center 8	4591 Brate Dr.	Tri-County	301,000
Al. Neyer	Port Union Industrial	9030 Port Union Rd.	Tri-County	199,917
NorthPoint	West Chester Trade Center 9	4583 Brate Dr.	Tri-County	199,872

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Submarket Statistics (Overall)													
Submarket	Total Inventory (SF)	Availability Rate / Vacancy Rate	Total Available	Sublease Available	Average Net Asking Rent (Price/SF)	Net Operating Expenses (OpEx/SF)	Under Construction	Quarterly Net Absorption	YTD Absorption	Direct Weighted Average Net Asking Rent			
										M	OS	GEN	W/D
Airport	40,506,852	3.8% / 1.0%	1,535,844	101,614	\$5.57	\$1.22	4,790,911	1,418,115	2,323,929	-	\$6.48	\$6.17	\$5.29
Blue Ash	12,815,245	1.9% / 5.2%	246,537	0	\$7.82	\$2.08	0	(61,386)	(87,754)	\$3.50	\$8.52	-	\$6.95
Campbell County	3,265,385	0.9% / 1.3%	30,000	0	-	-	0	0	0	-	-	-	-
Central/Midtown	48,999,962	2.9% / 2.7%	1,405,746	0	\$5.93	\$0.97	224,000	(166,597)	(132,931)	\$9.75	\$11.29	\$4.49	-
Covington	4,252,603	0.0% / 0.0%	0	0	-	-	0	0	0	-	-	-	-
East	14,754,973	7.8% / 5.5%	1,156,091	47,295	\$4.62	\$0.71	0	(42,325)	304,583	\$4.44	\$7.10	\$3.89	\$6.68
Florence/Richwood	28,421,598	3.5% / 2.6%	1,002,118	0	\$4.38	\$0.90	2,348,460	61,293	3,120,011	\$4.50	\$6.00	\$4.02	\$4.25
Hamilton	5,867,343	1.6% / 6.7%	94,088	0	\$6.75	-	0	0	(55,192)	-	-	\$6.75	-
I-71 Corridor	11,782,466	2.0% / 1.8%	238,538	12,670	\$9.95	-	0	(13,200)	15,563	-	-	\$9.95	-
Monroe/Middletown	24,579,413	0.4% / 0.3%	91,095	0	\$5.95	-	2,097,475	18,315	927,984	-	-	\$5.95	-
Tri County	75,512,748	3.9% / 4.4%	2,925,935	760,924	\$5.68	\$1.69	2,047,294	416,492	1,428,176	-	\$6.50	\$5.27	\$5.69
West	6,523,906	1.5% / 0.5%	18,118	0	-	-	779,676	(27,118)	(18,648)	-	-	-	-
Woodlawn/Evendale	19,835,595	1.0% / 1.7%	193,805	2,500	\$4.96	\$0.92	77,000	13,400	52,737	\$4.50	\$6.00	\$6.25	-
Greater Cincinnati	297,118,089	3.0% / 2.8%	8,937,915	925,003	\$5.35	\$1.22	13,564,816	878,997	7,878,458	\$4.51	\$8.02	\$4.77	\$5.57

Submarket Statistics (Warehouse/Distribution)								
Submarket	Total Inventory (SF)	Availability Rate/ Vacancy Rate	Total Available	Sublease Available	Net Asking Rent (Price/SF)	Net Operating Expenses (OpEx/SF)	Under Construction	Quarterly Net Absorption
Airport	31,328,757	4.1% / 0.7%	1,280,054	0	\$5.29	\$1.17	4,790,911	680,123
Blue Ash	2,362,369	2.3% / 12.6%	53,760	0	\$6.95	\$1.18	0	(53,860)
Campbell County	173,940	0.0% / 0.0%	0	0	-	-	0	0
Central/Midtown	1,971,242	0.0% / 2.0%	0	0	-	-	0	0
Covington	780,421	0.0% / 0.0%	0	0	-	-	0	0
East	1,661,460	3.3% / 3.3%	54,479	15,175	\$6.68	-	0	0
Florence/Richwood	13,200,716	2.0% / 0.0%	266,490	0	\$4.25	\$1.07	3,780,500	0
I-71 Corridor	986,658	0.0% / 0.0%	0	0	-	-	0	0
Monroe/Middletown	11,606,182	0.0% / 0.0%	0	0	-	-	1,729,475	78,410
Tri County	33,471,302	5.1% / 6.6%	1,723,429	524,231	\$5.69	\$1.63	3,304,690	492,086
West	1,322,627	0.0% / 0.0%	0	0	-	-	533,676	0
Woodlawn/Evendale	1,249,351	0.0% / 0.0%	0	0	-	-	0	0
Greater Cincinnati	100,115,025	3.4% / 2.8%	3,378,212	539,406	\$5.57	\$1.38	11,268,966	1,019,575

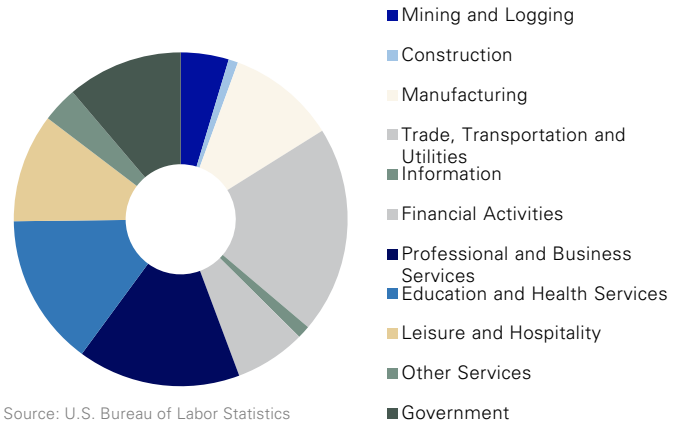
Economic Conditions

The Greater Cincinnati economy gained back jobs in the third quarter of 2022, despite inflation and interest rates going up, as total payroll employment increased in August by 1.4% year-over-year. The Consumer Price Index nationally was up 3.6% year-over-year in August.

Five industry sectors in the Cincinnati market saw employment loss, according to preliminary numbers from the Bureau of Labor Statistics, from August 2021 to August 2022: leisure and hospitality at negative 2.8%; professional and business services at negative 1.0%; government at negative 0.9%; education and health services at negative 0.9%; financial activities at negative 0.7%; All other sectors saw an increase from the past year. The information industry gained the most, by 6.7%; followed by mining and logging at 4.7%; manufacturing at 2.7%; trade, transportation and utilities at 1.4%; construction at 1.0%; other services at 0.5%; and total nonfarm at 0.1%.

Employment by Industry

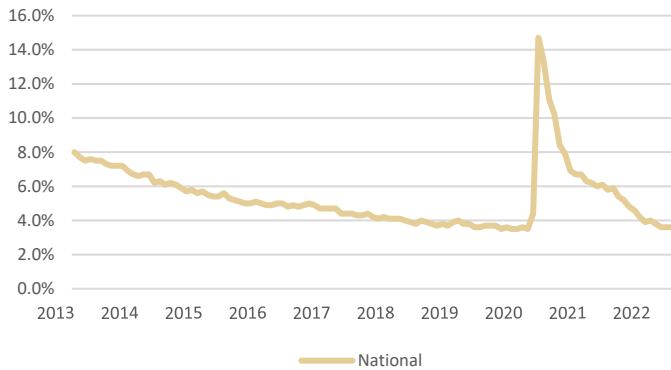
CINCINNATI – MAY 2022



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

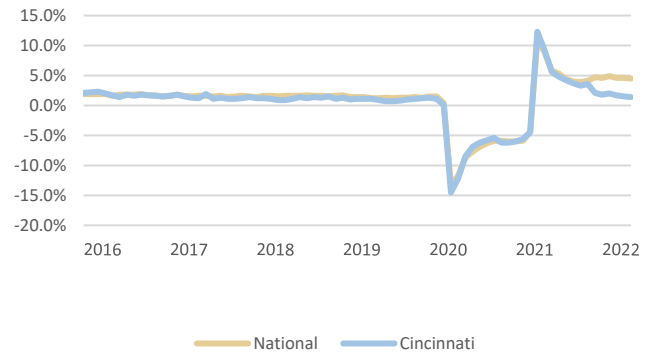
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Payroll Employment

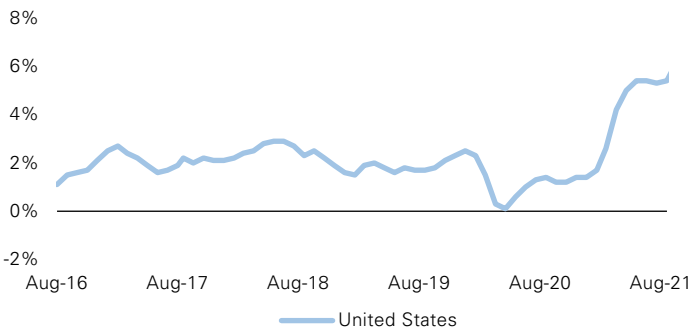
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

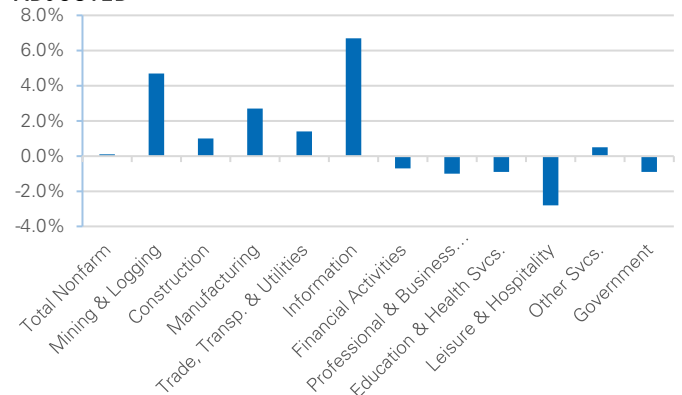
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



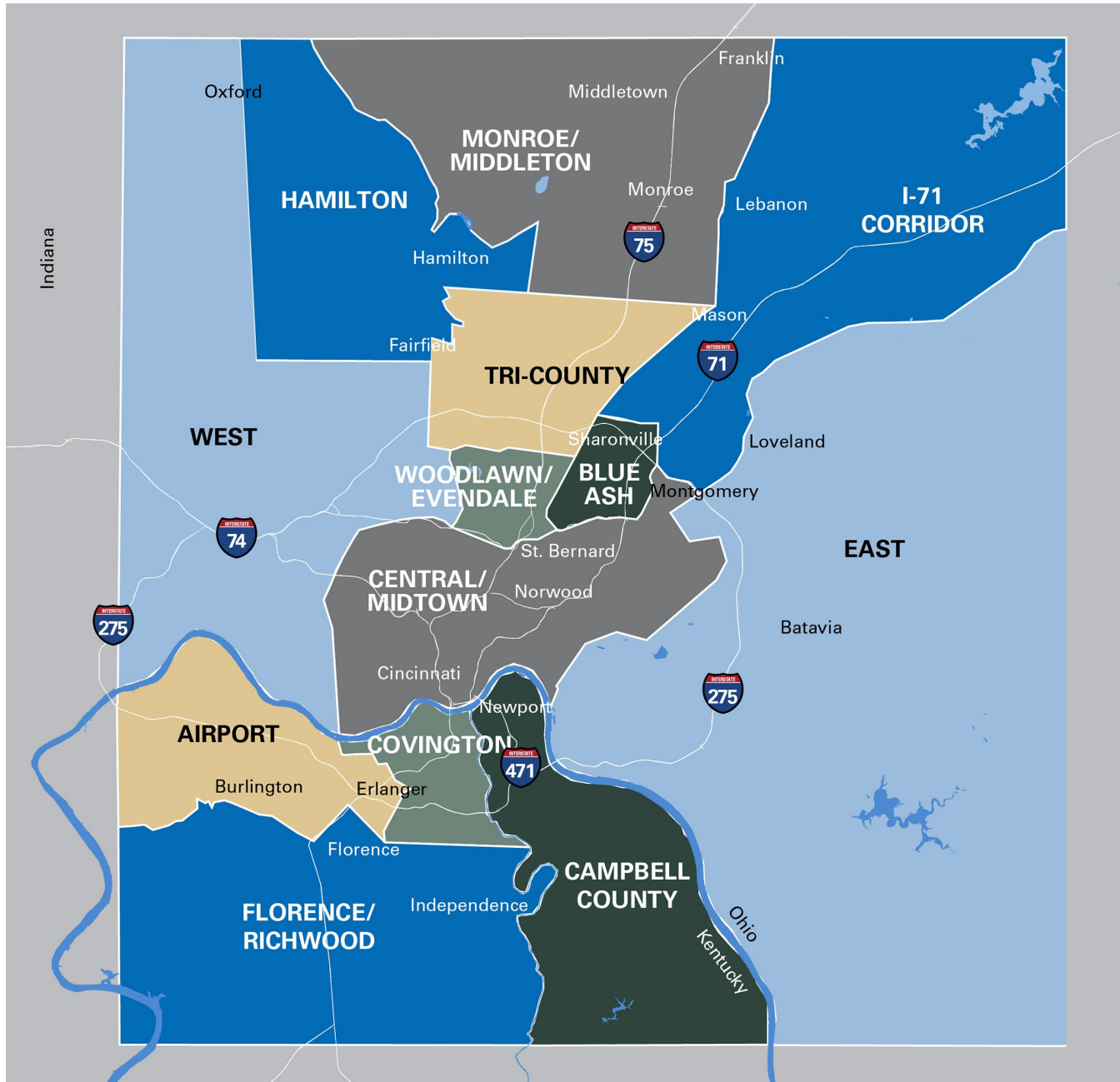
Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

CINCINNATI, MAY 2022, 12-MONTH % CHANGE NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics



For more information:

New York Headquarters

125 Park Ave.
 New York, NY 10017
 t 212-372-2000

Cincinnati

One East Fourth St., Suite 500
 Cincinnati, OH 45202
 t 513-241-2300

Connor Dougherty

Research Analyst
 connor.dougherty@nrmk.com
nrmk.com

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